

CITY OF LAS VEGAS

INVESTMENT REPORT

FIRST QUARTER FY2015



SEPTEMBER 30, 2014



INVESTMENT STRATEGY

The City's three principal objectives in managing the investments are to provide safety, to ensure liquidity, and to generate a market rate of return on the investments. Using cash flow projections to match assets with liabilities ensures prudent investment principles, which will enable the City to soundly meet its financial obligations.

The City's Investment Pool has been segregated into four separate investment portfolios. Of the portfolios, approximately 14% is managed internally by the Treasurer's office, 66% is being managed by external investment managers and 20% is invested in the state pool. The internally managed funds are used for current operations and primarily invest in the short-term segment of the market—overnight to one year. The external investment managers target the longer-term segment—one year to five years.

Investment Pool — Cash Management Fund: This portfolio is managed internally by the Treasurer's office and targets maturities from overnight to 1 year. The primary focus of this portfolio is to provide the day-to-day liquidity to meet the operating needs of the City. The majority of investments are purchased and held to maturity. The most frequently used investment types are money market funds, commercial papers and federal agency notes. The benchmark used to monitor the performance of this portfolio is a customized index which approximates the averaged weighted maturity of the portfolio.

Investment Pool — Non-Operating Funds: Two external managers, Mellon and Wells Capital Management each manage approximately \$105 million to \$110 million of the Investment Pool. The external managers target maturities from 1 year to 5 years and are limited to using only U.S. Treasury securities, federal agency notes, corporate notes and money market funds. The portfolios were funded on October 4, 2005 and the performances are benchmarked against the Merrill Lynch 1-5 Year Treasury and Agency Index.

Investment Pool — Nevada Enhanced Savings Term (NVEST): The NVEST portfolio is managed externally by Seix Investment Advisors and overseen by the Nevada state treasurer's office. The investments are primarily A-rated collateralized mortgage obligations and AAA-rated asset backed securities. The performance of this portfolio is benchmarked against the Merrill Lynch 1-3 Year Treasury.

Non Investment Pool — For the non-pooled investments such as bond issue proceeds, including such issues as the Redevelopment Projects and Special Improvement Districts, the City keeps these funds' investment maturities typically less than one year. These funds are invested in short-term securities such as Money Market Funds and Federal Agency Discount Notes. Monies that are required by state statute, city ordinance, and bond covenants to be held separately (i.e. Employee Benefits Fund, Self Insurance Liability, and bond reserves) are not part of the investment pool. Cemetery investments are managed by Carriage Services.

CITY OF LAS VEGAS

FIRST QUARTER OF FISCAL YEAR 2015



INVESTMENT REVIEW

INVESTMENTS – TOTAL PORTFOLIOS

The following table reflects the par value of the securities for the Investment Pool and the Non-pooled portfolios.

FUND	PAR VALUE
Investment Pool Portfolios:	
Cash Management	\$ 44,063,673
NVEST	64,543,468
FTN Main Street	106,363,804
Wells Capital	100,618,340
Total Investment Pool Portfolios	\$ 315,589,285

Non-Investment Pool Portfolios:	
CP/Parks/Facilities	\$ 4,383,767
Cemetery	2,288,819
Darling Foundation	794,326
Debt Service	18,477,495
Developer SIDs	34,141,303
Employee Benefits Fund	3,037,545
Fire Services	6,282,584
4th Street Landscaping	46,673
Fremont Street Experience	1,129,964
Ogden Parking	114,809
Redevelopment Agency	8,955,225
Sanitation	15,472,192
Self Insurance Funds	5,306,588
Special Programs/Car Rtl	3,092,857
Total Non-Investment Pool Portfolios	\$ 103,524,148
Grand Total Portfolios	\$ 419,113,433

CITY OF LAS VEGAS

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INVESTMENT REVIEW

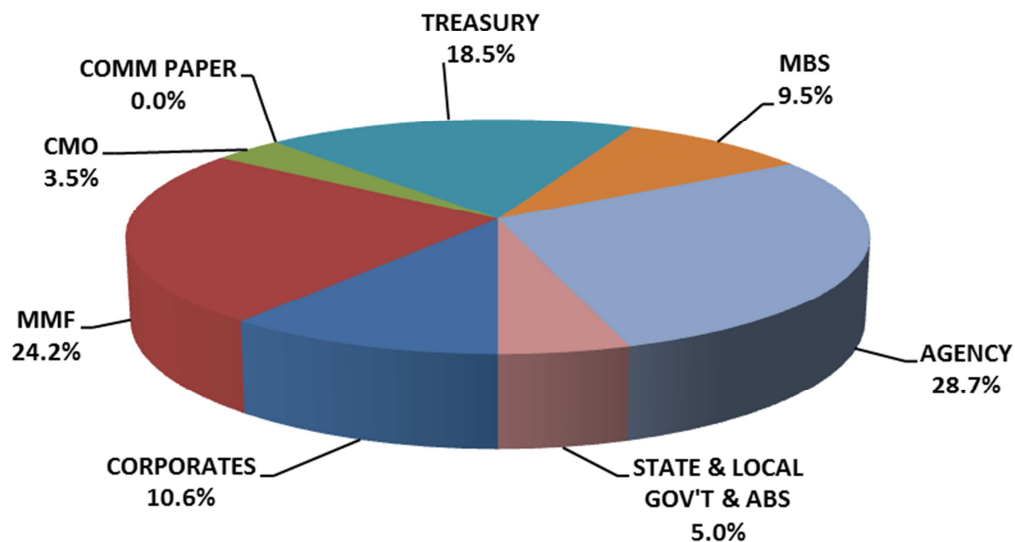
INVESTMENT TYPES – TOTAL PORTFOLIOS

The following table and chart shows the allowable investments per Nevada Revised Statutes and the City's Investment Policy.

INVESTMENT TYPE	PAR VALUE	%	MAXIMUM MATURITY	AUTHORIZED LIMIT
U.S. Treasury	\$ 77,720,000	18.54%	5 Years	No Limit
U.S. Agencies	120,159,000	28.67%	5 Years	No Limit
Corporate Bonds	44,286,834	10.57%	5 Years	20%
Commercial Paper			270 Days	20%
State and Local Governments	15,472,192	3.69%	N/A	No Limit
Money Market Funds	101,546,543	24.23%	N/A	No Limit
Asset-Backed Securities	5,316,859	1.27%	N/A	20%
Collateralized Mort. Obligations	14,619,319	3.49%	NA	20%
Mortgage Backed Securities	39,992,687	9.54%	NA	120%
Negotiable Cert. of Deposit			N/A	No Limit
Bankers Acceptances			180 Days	20%
Repurchase Agreements			90 Days	20%
Collateralized Invest. Contracts			Match Bond Issue	No Limit
LGIP			N/A	No Limit
Total Portfolios	\$ 419,113,433	100.00%		

DISTRIBUTION BY TYPES

AS OF SEPTEMBER 30, 2014



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INVESTMENT REVIEW

INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS

ISSUER	# OF ISSUES	PAR VALUE	MARKET VALUE	% of TOTAL
Americredit Auto Rec Trust	1	580,000	579,930	0.14%
Apple Inc	1	2,000,000	1,995,820	0.48%
Banc of America Comm Mtg	2	840,000	854,977	0.20%
Bear Stearns Comm Mtg	2	1,406,843	1,482,528	0.34%
Berkshire Hathaway Inc	2	10,000,000	10,191,500	2.39%
Blackrock FedFund Portfolio	14	8,131,747	8,131,747	1.94%
Chevron corp	1	5,000,000	4,952,100	1.19%
City of Las Vegas Redevelopment	1	15,472,192	15,472,192	3.69%
Comm Mortgage Trust	3	1,762,783	1,799,748	0.42%
CS First Boston Mtg	2	580,000	598,119	0.14%
Dreyfus Money Market Fund	14	21,148,650	21,148,650	5.05%
Fannie Mae	55	77,400,197	78,600,252	18.47%
FDIC Trust	1	98,315	98,543	0.02%
Federal Farm Credit Bank	1	5,000,000	4,978,550	1.19%
Federal Home Loan Bank	9	32,707,794	32,710,076	7.80%
Federated Money Market Fund	9	12,204,545	12,204,545	2.91%
First American Government Obli	14	251,850	251,850	0.06%
Ford Credit	2	1,080,126	1,080,276	0.26%
Freddie Mac	22	46,910,331	47,036,080	11.19%
GE Commercial Mortgage Corp	1	620,000	632,369	0.15%
General Electric Cap Corp	2	7,000,000	7,120,060	1.67%
Govt National Mtg Assn	2	328,774	348,434	0.08%
GS Mortgage Securities Trust	1	1,190,000	1,239,980	0.28%
Honda Auto Receivables	1	1,000,000	1,000,050	0.24%
Hyundai Auto Recv Trust	1	942,972	948,677	0.22%
INVESCO Private Invest	3	56,591	56,591	0.01%
JP Morgan	1	5,000,000	5,034,100	1.19%
JP Morgan Chase Comm Mtg	2	1,571,381	1,628,554	0.37%
LBUBS Commercial Mortgage Trust	1	565,000	606,782	0.13%
Lehman Brothers Holding	1	-	-	0.00%
Merrill Lynch Mtg Trust	3	1,167,377	1,199,693	0.28%
Morgan Stanley BAML	1	232,620	231,113	0.06%
Morgan Stanley Capital I Trust	1	1,138,595	1,223,990	0.27%
Morgan Stanley Institutional	1	43,857,894	43,857,894	10.46%
Ohio Phase In Recovery Fund	1	709,322	710,379	0.17%
PNC Bank	1	2,000,000	1,996,800	0.48%
Procter & Gamble	2	7,000,000	7,074,610	1.67%

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FIRST QUARTER OF FISCAL YEAR 2015



INVESTMENT REVIEW

INVESTMENTS BY ISSUER – TOTAL PORTFOLIOS (continued)

ISSUER	# OF	PAR VALUE	MARKET	% of
Regions Tust Money Market	1	1,985	1,985	0.00%
SBA Administration	1	339,439	362,905	0.08%
Short Term Treasury Money Market	11	8,791,538	8,791,538	2.10%
SLM Student Loan Trust	1	665,000	664,036	0.16%
STYX Private Fund LLP Pool ABC	1	2,286,834	2,265,385	0.55%
Toyota Financial Services	1	2,000,000	1,994,761	0.48%
United States Treasury	17	77,720,000	77,984,436	18.54%
US Bank N.A.	1	2,000,000	1,997,480	0.48%
Wachovia Bank Comm Mtg	2	1,250,994	1,291,470	0.30%
Wells Fargo Bank Money Market	1	3,694,604	3,694,604	0.88%
Wells Fargo Treasury Fund	5	3,407,140	3,407,140	0.81%
Grand Total	239	419,113,433	421,533,299	100.00%

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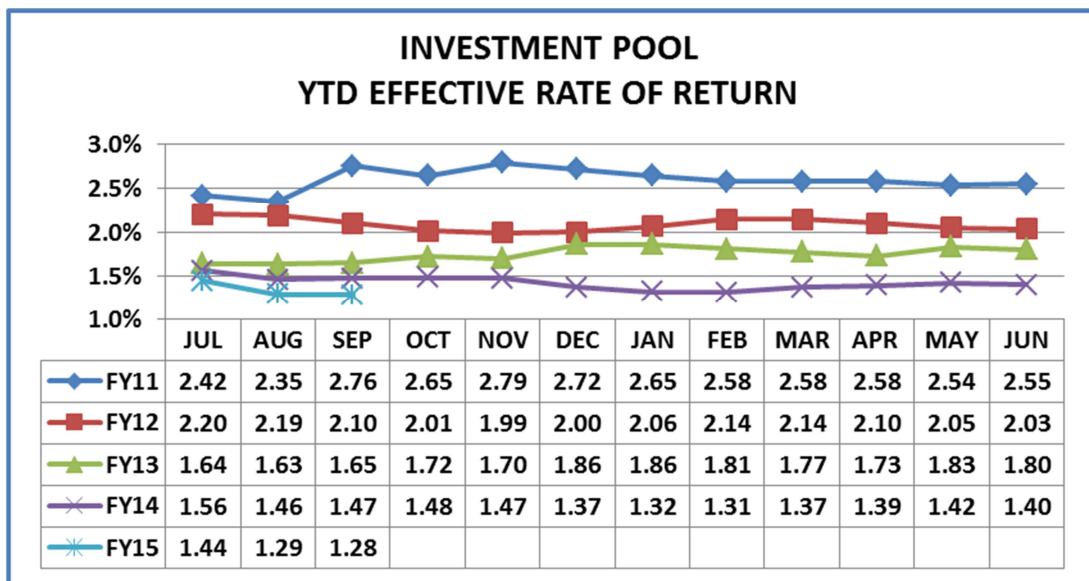
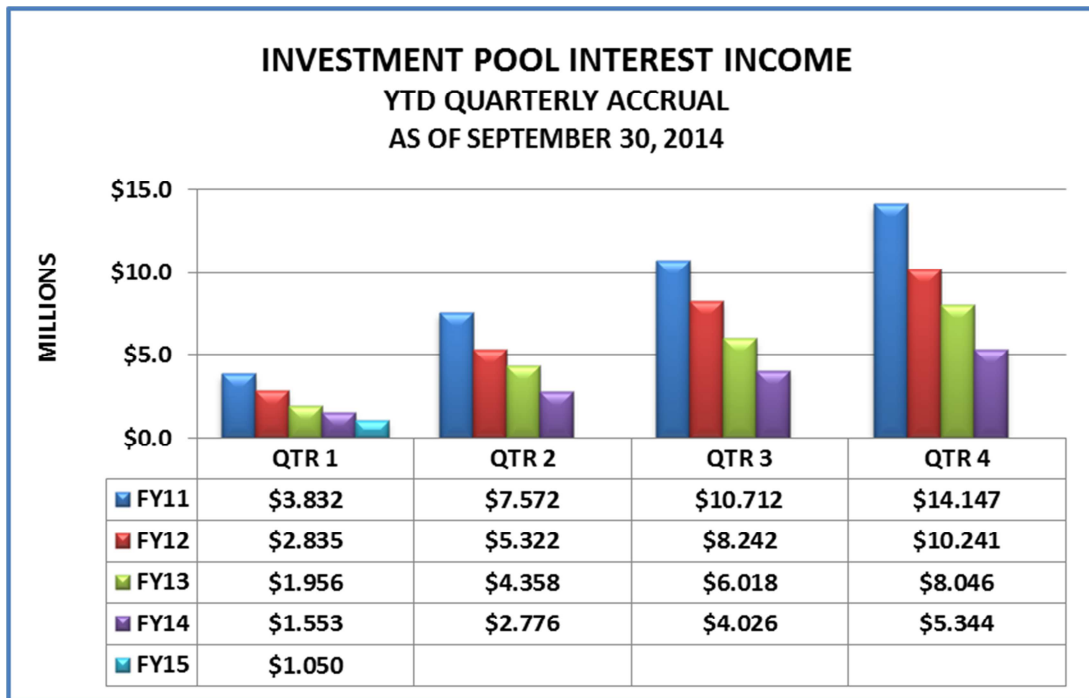
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INVESTMENT REVIEW

INTEREST INCOME – INVESTMENT POOL PORTFOLIO

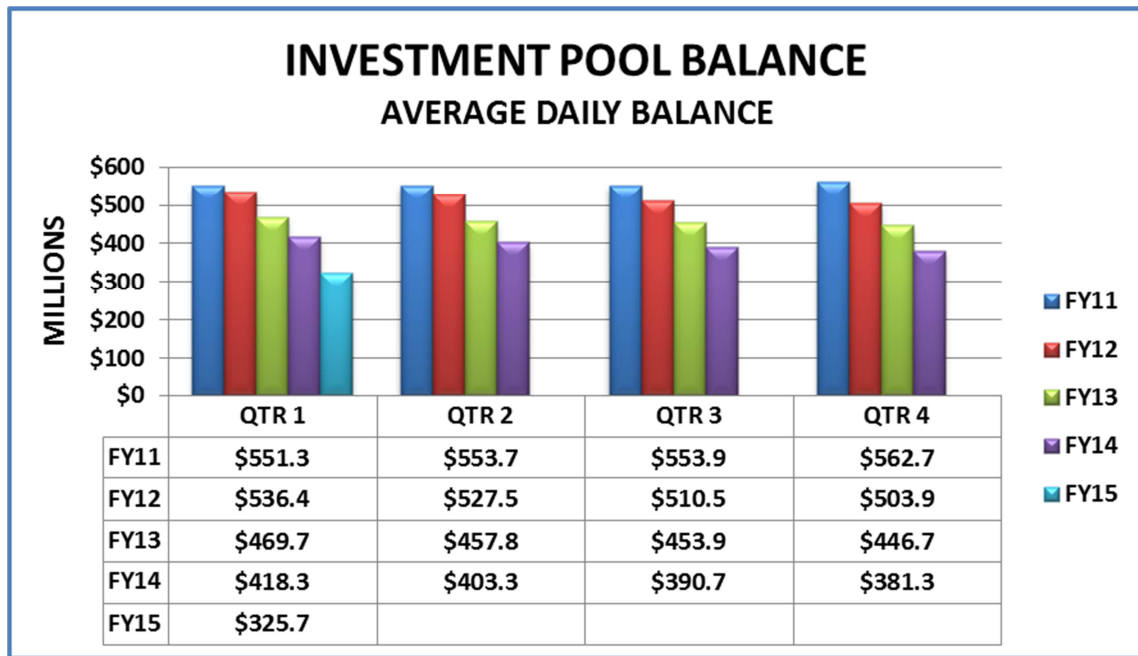
The Investment Pool produced \$1,050,000 of interest income for first quarter of fiscal year 2015; this was a decrease of \$503,000 compared to same quarter in fiscal year 2014. The City's effective rate of return for the Investment Pool for the first quarter of fiscal year 2015 was 1.28% compared to 1.47% for same quarter of fiscal year 2014.





INVESTMENT BALANCES – INVESTMENT POOL PORTFOLIO

The average daily balance of the Investment Pool for fiscal year-to-date 2015 decreased approximately \$92.6 million compared to the same quarter of the previous fiscal year. This decrease was due to cash outflows exceeding cash inflows during the year.



CITY OF LAS VEGAS

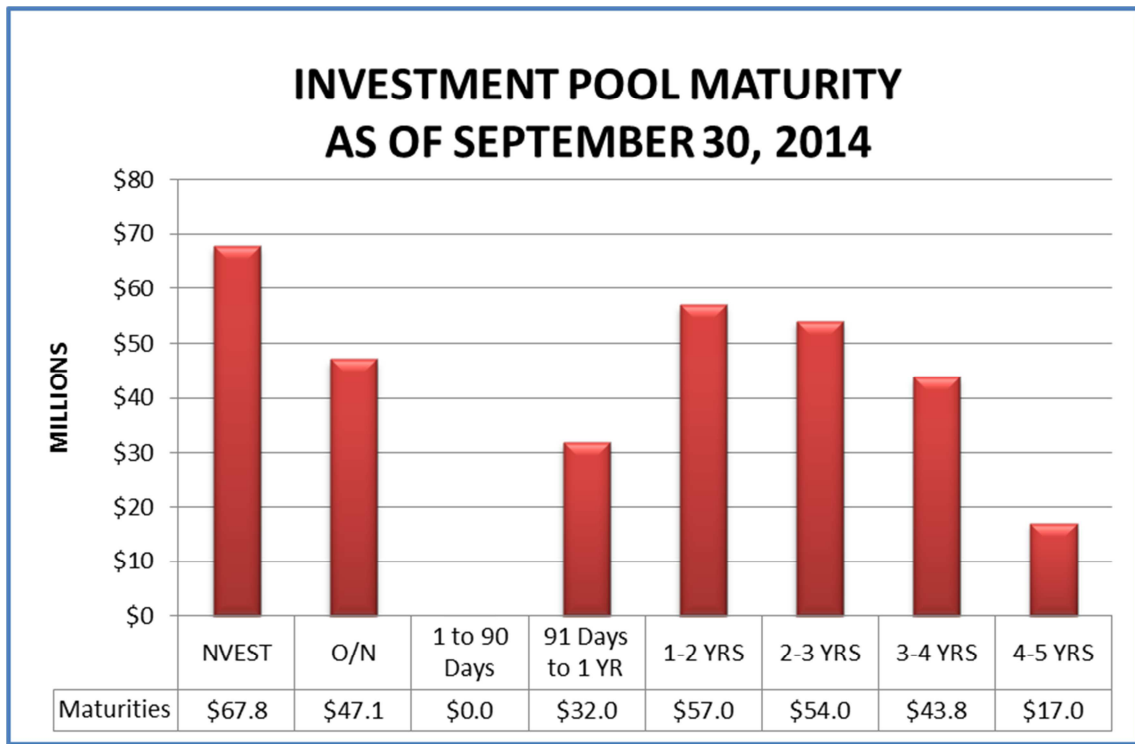
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INVESTMENT REVIEW

INVESTMENT MATURITY – INVESTMENT POOL PORTFOLIO

The Investment Pool had an overall average weighted maturity of approximately 1.42 years and a modified duration of 1.37 years. The Cash Management portfolio and cash in the bank are used to meet the City's cash flow operating needs.



CITY OF LAS VEGAS

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INVESTMENT REVIEW

MARK-TO-MARKET INFORMATION – INVESTMENT POOL PORTFOLIO

The Governmental Accounting Standards Board (GASB) Statement 31 requires governmental entities to report certain investments at “fair” or market value for annual financial reporting purposes. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Treasurer’s Office monitors the market value change on a monthly basis and reports the annual change in the City’s Comprehensive Annual Financial Report.

INVESTMENT POOL MARK-TO-MARKET FISCAL YEAR 2015 Y-T-D

DESCRIPTION	AMOUNT
Invested Value at September 30, 2014	318,116,010
Add: Proceeds of Investments Matured/Sold in FY15	95,747,238
Less: Cost of Investments Purchased in FY15	(76,926,114)
Add: Amortization Adjustment	-
Less: Invested Value at June 30, 2014	(337,945,177)
Change in Market Value of Investments	(1,008,043)

CITY OF LAS VEGAS

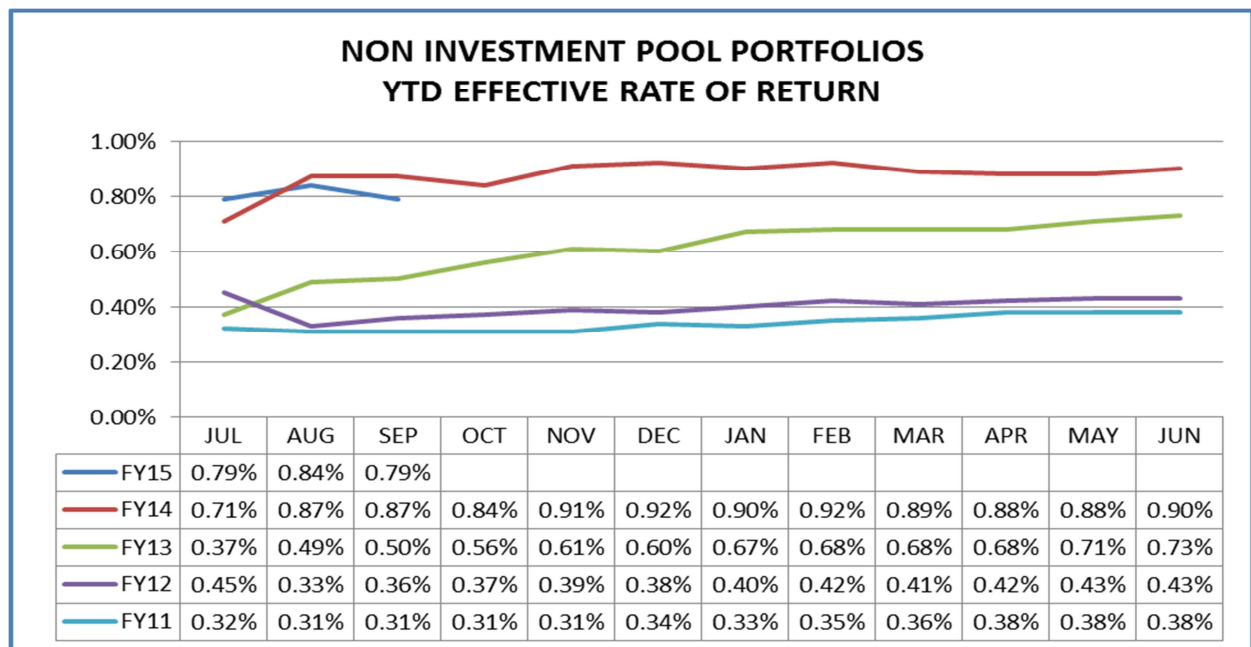
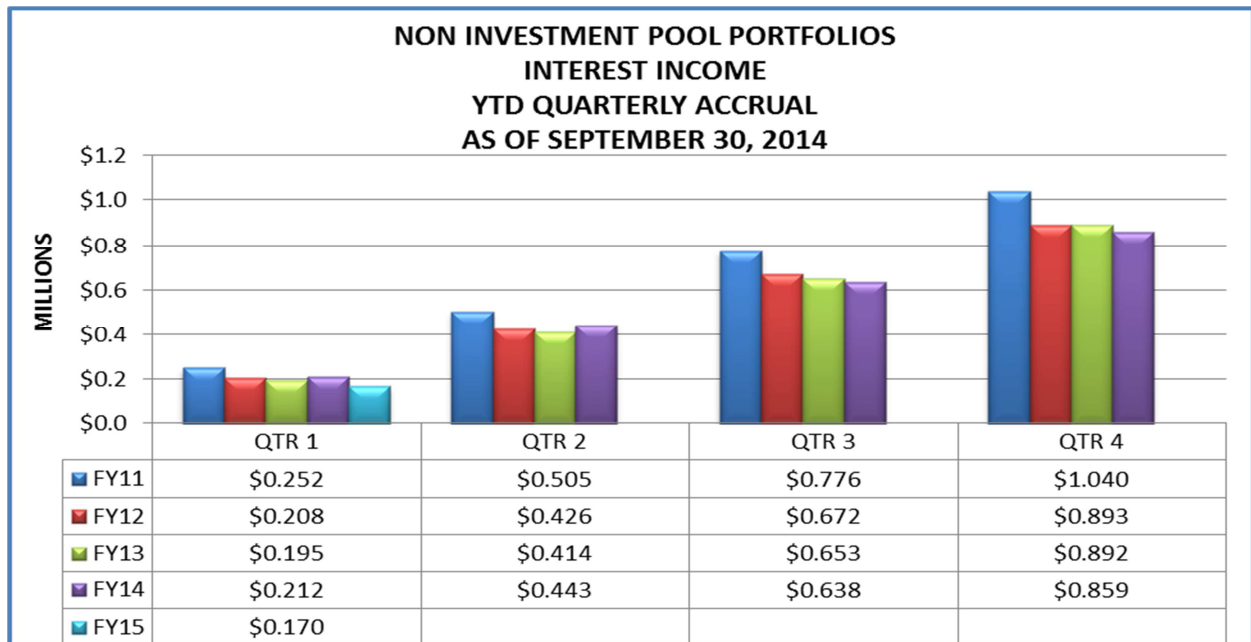
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INVESTMENT REVIEW

INTEREST INCOME – NON INVESTMENT POOL PORTFOLIOS

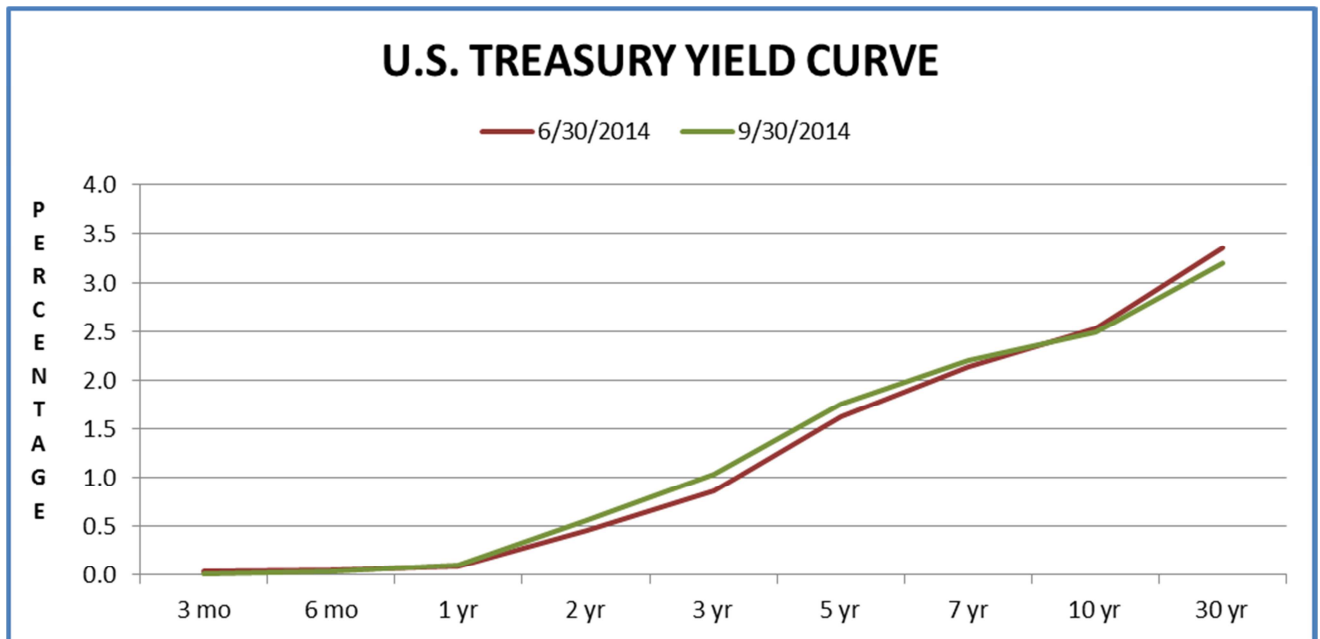
The Non Investment Pool portfolios produced \$170,000 of interest income for the first quarter of fiscal year 2015; this was a decrease of \$42,000 compared to the same quarter of fiscal year 2014. The effective rate of return for the Non- Investment Pool portfolios for fiscal year-to-date 2015 was 0.79% compared to 0.87% for the same quarter fiscal year-to-date 2014.





TREASURY YIELD CURVE

The chart and table below display the changes in the U.S. Treasury securities' yields at various maturities.



U.S. TREASURY YIELD CURVE COMPARISON 6/30/14 TO 9/30/14			
MATURITY	6/30/14 YIELD	9/30/14 YIELD	CHANGE IN PERCENT
3 Month T-Bill	0.020%	0.015%	(0.005)
6 Month T-Bill	0.061%	0.030%	(0.031)
1 Year T-Bill	0.096%	0.096%	0.000
2 Year T-Note	0.457%	0.567%	0.110
3 Year T-Note	0.867%	1.038%	0.171
5 Year T-Note	1.630%	1.757%	0.127
7 Year T-Note	2.135%	2.202%	0.067
10 Year T-Note	2.530%	2.489%	(0.041)
30 Year T-Bond	3.360%	3.197%	(0.163)